

February 22, 2012

**Los Angeles County
Board of Supervisors**

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TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Mitchell H. Katz, M.D.
Director



SUBJECT: **STATUS REPORT ON NEGOTIATIONS WITH L.A. CARE**

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On April 13, 2010, your Board approved, in concept, the report and recommendations by Health Management Associates (HMA) on its evaluation of the Department of Health Services (DHS) Office of Managed Care (OMC)/Community Health Plan (CHP) and its readiness for pending health reform changes. In addition, your Board approved the Chief Executive Office (CEO) convening DHS and L.A. Care Health Plan (L.A. Care) representatives to engage in negotiations to determine whether the new relationship, as outlined in the HMA report, could be developed.

Since then, the CEO and DHS have provided reports on the L.A. Care negotiations, on the ambulatory care transformation, and on the new 1115 Waiver. This is to provide you with an update specific to the L.A. Care negotiations, to report on progress since the October 3, 2011 status report.

Transition of SPDs to Managed Care

SPDs are the first group for which the new relationship between DHS and L.A. Care was established. In this relationship, L.A. Care performs the health plan functions and DHS is a key safety net provider for the health plan. According to the State 1115 Waiver plan, the SPDs are being moved from fee-for-service to managed care over a twelve month period, starting June 1, 2011. Each month, L.A. Care receives an assignment of new patients and each month L.A. Care assigns a portion of those to DHS as their care provider. In the first nine months of assignments, the net SPDs assigned to DHS (net of those who have subsequently transferred to other providers) is 20,514. This is 68% of the 30,000 target established in the agreement with L.A. Care.

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residents through direct services at
DHS facilities and through
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The most challenging part of this continues to be the default assignments. At the State level, for enrollees who choose a health plan and/or provider, the State honors that choice. Enrollees who do not make a choice, are assigned by the State based on information about prior Medi-Cal fee-for-service provider use, family assignments, and geographic location. Unfortunately, over 60 percent of those enrolled to date state-wide have been simply default assigned to one of the health plans, in the absence of any useful information on the enrollee. When L.A. Care, in turn, assigns new enrollees to contracting health plans and physician groups, or to the County through L.A. Care's direct plan, a large percentage of the enrollees are default assigned, which means that DHS has been receiving members with no prior association with DHS.

L.A. Care and DHS have worked through the difficulties of the high percentage of default assignments. DHS asked L.A. Care to change its algorithm to lower the number of defaults to DHS. This is being closely monitored month to month. Since members have the right to maintain their relationship with an existing Medi-Cal provider for up to 12 months, L.A. Care has also worked with DHS to reassign those members who, when they come to DHS, indicate that they want to continue to receive their care from a provider who is in another plan or physician group under L.A. Care.

Medi-Cal Managed Care

DHS and L.A. Care completed initial negotiations concerning amendments to the SPD provider agreements necessary to transition existing, Medi-Cal managed care enrollees from CHP to L.A. Care on January 1, 2012. The amendments were signed September 30, 2011, effective October 1, 2011, and L.A. Care began to assign non-SPD new Medi-Cal enrollees to DHS as a provider in October, rather than CHP as a health plan. 132,000 existing Medi-Cal managed care enrollees in CHP were transitioned to L.A. Care on January 1, 2012, of which 44,700 were assigned to DHS for their primary care home.

Healthy Families

DHS and L.A. Care met with the California Major Risk Medical Insurance Board (MRMIB) to discuss the transition. MRMIB staff strongly recommended that the transition of the CHP Healthy Families enrollees to L.A. Care occur on September 30, 2012, because CHP has the preferred community provider plan designation for the contract year starting October 1, 2011, and there is no established mechanism for transferring it mid-year to L.A. Care. This designation gives CHP's Healthy Families enrollees a discount on their premiums. L.A. Care will apply for this designation in the Spring of 2012, competing with other plans, and will likely receive this designation effective October 1, 2012, given the role of DHS in its network. This means that CHP must continue as an operating Knox-Keene licensed health plan through September 30, 2012.

In the meantime, in order to facilitate the transition of CHP staff to an MSO function, we negotiated an interim agreement for L.A. Care to do the administrative health plan functions for CHP from January through September 2012. In addition, Healthy Families was added as a "product line" to the provider agreement so that new enrollees in Healthy Families can choose to be assigned to DHS facilities as their medical home, when choosing L.A. Care as their health plan.

In Home Supportive Services

The CEO, DHS, the Department of Public Social Services (DPSS), L.A. Care and the Personal Assistance Services Council (PASC), negotiated the agreements necessary to implement the transition of the IHSS health plan from CHP to L.A. Care, effective February 1, 2012. Most of these agreements are executed. The transition which occurred was nearly transparent to the 40,000 IHSS enrollees, as their providers and network did not change.

Long-Term Financial Relationship

The negotiators completed negotiations for the terms of an agreement [Community Health Plan Transition and Safety Net Support Agreement], which will serve as the long-term framework of the financial relationship between L.A. Care and the County, as the key safety net provider in the County. Notice of intent to execute this agreement was sent to your offices on February 14, 2012 and the agreement was executed February 21, 2012.

Completion of Initial Phase of Negotiations

Completion of negotiation on the various programs described marks the end of the initial phase of negotiations. For those programs, we move fully into the implementation phase.

Contractually, the relationship of the County with L.A. Care consists of:

1. Provider agreement covering the following programs, under which DHS is assigned L.A. Care members to have their medical homes at DHS:
 - a. Medi-Cal Managed Care SPD
 - b. Medi-Cal Managed Care non-SPD
 - c. Healthy Families
 - d. In-Home Supportive Services Health Plan
2. Community Health Plan Transition and Safety Net Support Agreement, which frames the long-term financial relationship between L.A. Care and the County, with an initial term of 10 years.
3. Agreements of DPSS and PASC with L.A. Care to implement the IHSS Health Plan.

One contractual issue which is outstanding is an agreement on the terms under which L.A. Care could have access to DHS specialty care for L.A. Care members who are receiving their primary care elsewhere in L.A. Care.

Long-Term Operational Partnership

Now that the Transition and Safety Net Support Agreement is complete and the initial provider agreement sections for each program are done, DHS and L.A. Care can focus our collective efforts towards strengthening this partnership with a continued focus on directing available resources towards patient care and maximizing operational efficiencies. We will also continue to support each other's efforts to strengthen the safety-net system. eConsult is an early example of the collaborative effort between L.A. Care, Community Partners and DHS to transition to an improved platform for referrals from safety-net primary care providers to specialists.

Next Steps

It is important to emphasize that the provider agreement will be regularly amended going forward as opportunities to improve operational efficiencies arise and at least every time the State changes the rates it pays for one of the specific programs. It will also need amendment when the final processes for financing the SPDs are negotiated with the State.

Assuming that the State continues with its intent to bring the dual eligibles (Medicare - Medi-Cal) into Medi-Cal Managed Care, a provider agreement amendment for that population will be needed, as well as any necessary contractual arrangements related to the IHSS program.

If you have any questions or need additional information, please contact me at (213) 240-8101.

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c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors
Public Social Services
Mental Health